APPENDIX

IN THE

UNITED STATES CIRCUIT COURT OF APPEALS,

FOR THE THIRD CIRCUIT.

No. 7779. October Term, 1941.

TRIANGLE CONDUIT & CABLE CO., INC.,
Appellant,

v.

NATIONAL ELECTRIC PRODUCTS CORPORATION.

ON APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE DISTRICT OF DELAWARE.

Opinion.

(Filed November 19, 1941.)

Before BIGGS, MARIS and GOODRICH, Circuit Judges.

MARIS, *Circuit Judge.*

Triangle Conduit & Cable Co., Inc., is a Delaware corporation engaged in the manufacture of electric wire, conduits and cables. National Electric Products Corporation is a Delaware corporation which also manufactures electric wire and cable. It owns patents which relate to the construction of and methods and machines for making wires

and cables. On January 9, 1941 National formally notified Triangle that the latter was infringing 11 of the patents owned by National. On the same day it notified Sears, Roebuck & Company and M. B. Austin Company, customers of Triangle, that they were infringing seven of the same patents by reason of their sale of articles manufactured in disregard of National's patent rights.

On January 16, 1941 Triangle commenced an action in the District Court for the District of Delaware seeking a declaratory judgment as to the validity and infringement of the 11 patents specified in the notice to it. On February 3, 1941 National filed suit in the District Court for the Eastern District of Michigan against Triangle and Sears, Roebuck & Company, in which it sought a decree that Triangle had infringed by manufacturing, selling and using articles in violation of all patents specified in the notice to Triangle and involved in the declaratory judgment suit and that Sears, Roebuck & Company had infringed by reselling articles manufactured in violation of six of the seven patents specified in the notice to it. Triangle thereupon moved for an injunction to restrain National from Proceeding with the infringement suit until the District Court in Delaware had adjudicated the declaratory judgment suit. The court refused Triangle's motion for an injunction and now has pending before it for argument and disposition a motion by National to dismiss the declaratory judgment suit. This appeal is from the refusal to grant Triangle's motion for an injunction.

Triangle takes the position that the material facts and the question presented in the present case are identical with those in Crosley Corporation v. Hazeltine Corporation, [122] F. 2d [925], and that under the ruling in that case the district court was bound to enjoin the further prosecution of the infringement suit in the present case. In the Crosley

case we held that a United States district court which first obtained jurisdiction of the parties and issues had the power to enjoin the further prosecution of proceedings involving the same parties and issues begun thereafter in another United States district court. We further held that under the circumstances of that case [the parties and issues were the same] the court first obtaining jurisdiction abused its discretion in refusing to grant the injunction. Our conclusion was based upon that public policy which holds it to be undesirable, because of the economic waste and the adverse effect upon the prompt and efficient administration of justice which is involved, for two or more courts of equal dignity within the judicial system of a single sovereignty to be called upon to duplicate each other's work in adjudicating the same controversy between the same parties. It does not follow that we would have reached the same conclusion had the parties and issues in the two cases been different. The question would then arise whether there would be in fact a duplication of work by the two courts and even if there should be some duplication whether it was justified by the circumstances.

In the declaratory judgment suit now before us the district court in Delaware is called upon to determine whether Triangle manufactured, sold and used articles in violation of 11 patents owned by National and whether those patents are valid. In the later infringement suit the district court in Michigan is asked to determine the identical issues as to those parties. Up to this point there is a close resemblance between the facts now before us and those in the Crosley case. There are, however, present in the case at bar additional facts which deprive this resemblance of controlling significance. The task of the Delaware court will be over when it rules upon the validity and infringement of the 11 patents and adjudges what damages and profits, if

any, Triangle shall pay National.* The task of the Michigan court, on the other hand, will not have been accomplished until it has determined, in addition to the issues involved in the declaratory judgment suit, (1) whether the articles which Sears, Roebuck & Company resold, either purchased from Triangle or from any other non-licensed manufacturer, infringed the six patents relied upon by National, (2) whether National sustained any damage by reason of these sales, and (3) whether Sears, Roebuck & Company derived any profits from the resale of infringing articles. For it has long been settled that the cause of action which the owner of a patent has against one who infringes the patent by manufacture and sale is separate and distinct from the cause of action against one who resells the infringing product. The recovery of a judgment for damages against the former does not bar a suit to recover damages from the latter. Birdsell v. Shaliol, 112 U. S. 485; Sherman, Clay & Co. v. Searchlight Horn Co., 225 F. 497; Kryptok Co. v. Stead Lens Co., 190 F. 767.

Inasmuch as the cause of action against Sears, Roebuck & Company is not included in the declaratory judgment action before the Delaware court, it is clear that the Michigan court alone can dispose of the entire controversy presented in the suit pending before it. In a case of this kind the

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*The statutory right of an owner of a valid patent to recover damages and profits from an infringer is found in § 4921 Rev. Stat. (35 U. S. C. A. § 70) which provides ". . . upon a decree being rendered in any such case for an infringement the complainant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby . . ." In Diamond Stone-Sawing Mach. Co. v. Brown, 166 F. 306, the court explained that "what the infringer makes is 'profits'; what the owner of the patem loses by such infringement is 'damages.'" This definition is quoted with approval by Mr. Justice Cardozo in Duplate Corp. v. Triplex Co., 298 U. S. 448, 451.

further question arises whether the cause of action asserted against the additional party in the infringement suit is bona fide or merely a colorable claim asserted against a relatively unimportant infringer in order to avoid the jurisdiction of the court having the declaratory judgment suit before it. In this case, however, it appears that National's cause of action against Sears, Roebuck & Company involves a real controversy with a very large infringer and is not a mere device designed to avoid the application of the rule of the Crosley case. We accordingly conclude that the district court in Delaware did not abuse its discretion in refusing to enjoin the prosecution of the infringement suit in Michigan.

One further matter may be mentioned. There is pending in the court below a motion by National to dismiss the declaratory judgment suit. It is well settled that the granting of declaratory relief is not mandatory but lies in the discretion of the court. This is a legal discretion, however, and it must not be exercised arbitrarily but rather in accordance with fixed principles of law. United States Fidelity & Guaranty Co. v. Koch, 102 F. 2d 288; Samuel Goldwyn, Inc. v. United Artists Corporation, 113 F. 2d 703. Where, as appears in this case, more comprehensive relief may be had in a suit subsequently brought in another court of competent jurisdiction the court, in the exercise of its discretion, may well conclude, at least at this preliminary stage of the declaratory action, that there is no further need for declaratory relief and accordingly dismiss the suit. This, however, is a matter for the court to decide when it comes to consider the pending motion.

The decree of the district court is affirmed.

Judge Biggs took no part in the consideration or decision of this case.

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

ACTICARBONE CORPORATION,

Petitioner,

vs.

NATIONAL CARBON COMPANY, INC.,

Respondent.

EQUITY No. 82-97

Opinion

(Decided June 30, 1936).

KNOX, *District Judge.*

The petition for a declaratory judgment, when filed, was clearly defective in that it did not factually allege the existence of an actual controversy between the parties. Such defect, so far as Patent No. 1,497,543 is concerned, has been cured by the amendments to the original petition, subsequently filed. Nevertheless, the defect in respect to Patent No. 1,497,544 continues. Furthermore, the Court's jurisdiction of the subject matter of the petition having to do with the unfair competition charged against the respondent, there being no diversity of citizenship between the litigants, is of an extremely doubtful character. Each of these shortcomings, if such they be, can be cured by appropriate amendment. However, since the filing of the original petition respondent has asserted the rights it claims against petitioner in an ordinary patent suit. In that action the disputes of the parties may be determined. Having regard for the fact that all the issues there to be tried will be actual, and wholly unincumbered by the presence of a number that may be merely academic, I have concluded, in the exercise of discretion, to dismiss the petitioner and its amendments, and require the controversies to be presented in the suit in which respondent is complainant. In this connection it may be observed that local equity rule No. 2 will be applicable to the infringement suit, if respondent should undertake to discontinue the same.

Declaratory Judgment Act

(Judicial Code, Sec. 274d; U. S. C., title 28, Sec. 400)

(1) In cases of actual controversy except with respect to Federal taxes the courts of the United States shall have power upon petition, declaration, complaint, or other appropriate pleadings to declare rights and other legal relations of any interested party petitioning for such declaration, whether or not further relief is or could be prayed, and such declaration shall have the force and effect of a final judgment or decree and be reviewable as such.

(2) Further relief based on a declaratory judgment or decree may be granted whenever necessary or proper. The application shall be by petition to a court having jurisdiction to grant the relief. If the application be deemed sufficient, the court shall, on reasonable notice, require any adverse party, whose rights have been adjudicated by the declaration, to show cause why further relief should not be granted forthwith.

(3) When a declaration of right or the granting of further relief based thereon shall involve the determination of issues of fact triable by a jury, such issues may be submitted to a jury in the form of interrogatories, with proper instructions by the court, whether a general verdict be required or not.